

CHAPTER XI

ECONOMIC DEVELOPMENT

Economic Development grants are offered when job creation or retention is at stake and when the company(s) is clearly creating the need and the beneficiaries of the project. If the project benefits a majority of residents in the community, it is not a CDBG Economic Development project, but should be applied for through regular CDBG funded activities.

CDBG Economic Development (Infrastructure Grant, Action Fund Loan, Downtown Revitalization, Loan Guarantee, Interim Financing, or Microenterprise) projects have unique requirements of administration, which are in addition to the procedures for other CDBG projects. Since the project requirements often include counting jobs and private investment, and since a third party exists in the form of a private company, a project transition meeting is essential. The following items shall be discussed in a **transition meeting** held at the time of funding commitment. The transition meeting must be attended by representatives from the company, the grantee, and the state.

Document the National Objective

Economic Development projects may be funded based upon job creation (most often used) or job retention. A grantee providing assistance to a business must assure the documentation of **low- and moderate-income (LMI)** job creation/retention. The grantee must undertake all front-end reviews and safeguards before assisting a business with CDBG funds. These steps may include:

1. Obtaining a list of prospective permanent jobs, and their full-time equivalents, proposed for creation by the company, with a breakdown of those positions which involve the employment of low- and moderate-income persons;
2. Identifying those positions that can only be filled by persons with substantial training, work experience, or education beyond high school and whether or not the business will agree to hire, and train as necessary, low- and moderate-income persons for these jobs; and
3. Including in loan agreements specific low- and moderate-income job requirements and the standards for compliance, reporting, and recordkeeping.

The Missouri CDBG program requires that at least 51% of all jobs created or retained shall be held by low- and moderate-income persons. Documentation of LMI status is achieved through the completion of an Employee Status Statement (Example A).

Creation of Jobs for LMI Persons

The creation of jobs qualifies for CDBG funding when the following conditions are met. These conditions include, but are not limited to:

1. The job is full time (or a number of part time jobs add up to a full time equivalent).
2. The job is permanent, not temporary.
3. The job is located at the same facility where the project is occurring.
4. The jobs are not new jobs (i.e., retained jobs). This requires new jobs above the current level of employment, which are documented at the time of the award.
5. The Employee Status Statement and a current payroll listing are available.
6. The jobs are created after the date recorded in the agreement.

7. The Alien Employment restrictions have been met.

8. The total jobs equal the amount pledged and at least 51% are adequately documented as LMI.

The Participation Agreement and contract forms may require additional conditions for job creation.

Retention of Jobs for LMI Persons

The number of jobs considered to be retention jobs, as involving the employment of LMI persons, shall be limited to the total of:

1. Those jobs **known to be held by** LMI persons at the time assistance is provided; and
2. Any other jobs **that can reasonably be expected to become available through turnover** to low- and moderate-income persons in a period of two years thereafter.

Clearly, retaining a job already held by an LMI person would qualify that job as benefiting an LMI person. To determine whether the person already employed is LMI, use the person's family income at the time the CDBG assistance is provided.

Accordingly, if a CDBG-assisted business can demonstrate that at least 51% of the jobs retained are held by LMI persons, the activity would qualify as meeting the national objective.

Permanent Jobs

Only permanent jobs may be considered in determining benefit for LMI persons; **temporary jobs**, such as construction jobs, may not be counted. **Permanent, part-time jobs** may be considered, but would have to be converted to a full time equivalent for purposes of calculating the 51% benefit. This applies regardless of when the project was funded by the state.

Additional Reporting

The racial/ethnic characteristics of all job applicants must be tracked. This information may be tracked by the company or an outside organization, such as the local Job Service. The applicant information must be tracked from the time of the funding commitment (or other agreed-upon date) until project close-out. Contact the CDBG staff for questions regarding the applicability with confidentiality and civil rights laws.

LMI

A person may be presumed to be low- or moderate-income in either of the following cases:

1. The employee resides in, or the assisted business through which he is employed is located in, a census tract that is part of a Federally-designated Empowerment Zone or Enterprise Community or meets the following criteria:
 - a. has a poverty rate of at least 20% according to the most recent census data,
 - b. does not include any portion of the CBD (Central Business District) unless the tract has a poverty rate of at least 30%, and
 - c. there is evidence of pervasive poverty and general distress by meeting at least one of the following:
 - i. all block groups within the tract have poverty rates of at least 20%,
 - ii. the specific activity is located in a block group with a poverty rate of at least 20%,
or

- iii. upon written request, HUD determines that the census tract exhibits other signs of distress such as high crime, drug use, homelessness, abandoned housing, deteriorated infrastructure, or substantial population decline.
2. The employee resides in a census tract where not less than 70% of the residents are low-and moderate-income persons.

On infrastructure grants, the national objective requirement shall be met as follows:

1. Before assistance is provided, the local government must identify the businesses located or expected to be located in the area to be served by the public improvement. Each business must project the number of jobs expected to be created as a result of the improvement.
2. The jobs to be considered are all those in the assessment as well as any other businesses that are located in the area within a period of one year following the completion of the public improvement. If the original businesses' jobs do not exceed \$10,000/job, the additional businesses do not have to be tracked, and close-out can be done as soon as original jobs are in place.

The grantee is responsible for obtaining all documentation of jobs created and low- and moderate-income benefit. At the application stage, the company/industry agrees to provide this information to the grantee. Failure to do so could result in grantee ineligibility for future funding or return of moneys to DED.

Private Investment Commitment

The grantee is also responsible for obtaining documentation of the private investment from the business(es) (in the form of paid invoices, canceled checks, or audited financial statements) according to the application and/or grant agreement for the project. This should be done from the beginning of the grant until the private investment is accomplished.

Citizen Participation

One public hearing must be held at least 5 days prior to the submission date of the ED application, and must address the proposed project and community needs. A second public hearing must be held prior to project close-out to discuss grant performance. (See the Citizen Participation Chapter.)

Labor Standards

Federal and State wage rate regulations will likely apply to the project. This determination should be made at the beginning of the project or at application stage in order to avoid non-compliance delays. See the Labor Standards Chapter or contact the CDBG Labor Specialist.

Procurement

Private companies that are loaned CDBG funds are not bound to procurement requirements of PL 103-355, which are applicable only to public entities. In the case of a speculative building loan to a local Industrial Development Authority (IDA) or similar organization, that entity must demonstrate compliance with the procurement requirements established by that organization. However, if the grantee conducts the procurement process on behalf of the IDA, the requirements of PL 103-355 shall apply. (See the Procurement Chapter.) In the case of a **grant** to a public entity, competitive procurement requirements are triggered and will be monitored.

Conflict-of-Interest Policy

This policy is applicable to all CDBG programs and is included for reference in this manual. (See the Project Administration Chapter.)

Environmental Review

The environmental review procedure is the same as with the other project types and is covered in the Environmental Review Chapter of this manual. The review must cover the **entire** economic development project, including **both the private and public funded activities**. Contact the CDBG Environmental Review Specialist for further questions.

Civil Rights

All economic development grantees must comply with basic civil rights requirements of the program, including the furthering of fair housing, procurement of MBE and WBE firms, certifications and information in contracting documents, and gathering of direct and indirect beneficiary data, including applicants for jobs created.

RFF Documentation

All loan (Action Fund, Float, Speculative Building, Loan Guarantee) grantees are required to submit invoices for all requests for CDBG funds.

Close-out

Additional information is required to close-out an economic development project. (See the Close-out Chapter.)

Program Income

The grantee should have a mechanism in place which tracks the receipt and disbursement of program income (loan repayment). Reporting of program income is required twice annually, January 15 and July 15, until fulfillment of terms of policy or formal release from DED. All program income, beginning with FY-93 money, carries all original requirements of the CDBG regulations, no matter how many times it is reused. The grantee is responsible for assuring compliance and will be monitored for same. Contact the CDBG Financial Analyst for additional information.

Timing of Jobs

Normally, jobs created through the economic development program are counted toward meeting the national objective if they are in place at the time of grant close-out. However, **if documentation can be provided** of economic downturn causing job loss prior to close-out, those lost jobs will be considered toward the national objective. Turnover of a new job cannot be counted as more than one job prior to close-out; the individual in place at the time of close-out shall be the one counted.

It is important to note that all of the above items unique to economic development projects will be addressed during monitoring visits.

DOCUMENTATION FOR JOBS FOR LOW- AND MODERATE-INCOME PERSONS

At time of Application Submission:	1. List of prospective permanent jobs, by when and basis for estimate.
	2. For infrastructure grants, a list of all businesses located or expected to be located in the area to be served by the public improvement. (Each business must project the number of prospective jobs.)
	3. List of low- and moderate-income (LMI) jobs, by when and percent of total.
	4. Number of Proposed jobs to be created: a. Taken by (held by) and why reasonable.
	5. Documentation of retained jobs, held by LMI.
	6. For retained jobs, evidence the jobs would be lost without the assistance.
At Monitoring & Final Report	1. Total number of jobs created (Employment Summary Sheet, backed by current company listing of employees, including date of hire).
	2. Number of LMI jobs.
	3. Data for LMI hired (Employment Status Statements).
	4. List of all job applicants since grant inception and the racial/ethnic background of each.

EVEN THOUGH THESE FORMS ARE VOLUNTARY, IT SHOULD BE NOTED THAT ALL JOBS CREATED AS A RESULT OF THIS PROJECT MUST BE DOCUMENTED TO BENEFIT 51% LOW- AND MODERATE-INCOME PERSONS. MAKING THESE FORMS A PART OF THE JOB APPLICATION PROCESS WILL AID IN THE REQUIRED DOCUMENTATION.

INSTRUCTIONS FOR COMPLETING EMPLOYMENT FORMS

1. Employment Status Statement:

Refer to the listing of family income ranges for the applicable county or Metropolitan Statistical Area (MSA) and enter in the spaces provided. (See Example A.)

2. Employment Summary Sheet:

Use same family income ranges as used on Employment Status Statement for the appropriate county. Please note that employees who do not complete the form are considered **non-LMI** and must be figured in the LMI percentage benefit. (See Example B.)

3. Applicant Summary Sheet:

This form became effective with FY-93 funds and, as stated, requires the racial/ethnic characteristics of all applicants for jobs, including hires.

NOTES:

Documentation for retained employees must be obtained at the time of application based on current household income. The applicant for a new job should indicate his household income prior to employment with the firm.

To determine if an employee is an LMI beneficiary, compare family size and family income to the income ranges. In Example A, the employee's family size is three and family income is between \$21,200 and \$33,900. Referring to the income ranges on the LMI Summary Sheet (Example B) the employee is below the \$33,900 limit for a family of three. Therefore, the employee is considered LMI. Again, all employees not completing the form must be considered non-LMI. **Use this same principal for the survey portion of the Employment Status Statement. Please note the addition of an income for 30% of median income.**

Tabulate the Employment Status Statements and record the results on the Employment Summary Sheet.

**STATE OF MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT
EMPLOYMENT STATUS STATEMENT**

Name of Company: _____

The above company has participated in a federal program that requires that certain employment standards be met. Completion of this form is VOLUNTARY, and this information will be kept confidential, with access only to the company's personnel official, representative of the city/county who is administering the program, and the Sate of Missouri who oversees the program.

Family – husband, wife, and all dependents as defined by the IRS for income tax purposes.

Family Income – Total yearly income from all family members over the age of 18. If you are an applicant, this would be prior to employment with the company. If you are a current employee, this will include present salary.

FAMILY SIZE	INCOME LIMITS						FAMILY SIZE: _____ <input type="checkbox"/> Income Above Column C <input type="checkbox"/> Income between Column B & C <input type="checkbox"/> Income between Column A & B <input type="checkbox"/> Income below Column A
	A (30%)	TO	B (50%)	TO	C (80%)		
1	_____	TO	_____	TO	_____		
2	_____	TO	_____	TO	_____		
3	_____	TO	_____	TO	_____		
4	_____	TO	_____	TO	_____		
5	_____	TO	_____	TO	_____		
6	_____	TO	_____	TO	_____		
7	_____	TO	_____	TO	_____		
8+	_____	TO	_____	TO	_____		

Please check all of the following that apply to you:

☐ Over the Age of 62

☐ Handicapped/Disabled

☐ Female Head of Household

ETHNICITY:

☐ Hispanic

☐ Non-Hispanic

RACE:

☐ White

☐ Asian & White

☐ Black/African American

☐ Black/African American & White

☐ Asian

☐ Am. Indian/Alaskan Native & Black/African Am.

☐ American Indian/Alaskan Native

☐ Asian & Native Hawaiian/Other Pacific Islander

☐ Native Hawaiian/Other Pacific Islander

☐ All Others

☐ American Indian/Alaskan Native & White

To the best of my knowledge, the above information is true and can be verified if requested by proper officials of the city/county of the State of Missouri. I also certify that I am authorized to work in the United States and can produce evidence of work authorization.

NAME PRINTED

SIGNATURE [Required]

JOB TITLE

DATE

(EXAMPLE A)

**STATE OF MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT**

EMPLOYMENT STATUS STATEMENT

Name of Company: <u>Freedom Campers</u>					
The above company has participated in a federal program that requires that certain employment standards be met. Completion of this form is VOLUNTARY, and this information will be kept confidential, with access only to the company's personnel official, representative of the city/county who is administering the program, and the Sate of Missouri who oversees the program.					
<u>Family</u> – husband, wife, and all dependents as defined by the IRS for income tax purposes. <u>Family Income</u> – Total yearly income from all family members over the age of 18. If you are an applicant, this would be prior to employment with the company. If you are a current employee, this will include present salary.					
FAMILY SIZE	INCOME LIMITS				
	A (30%)		B (50%)		C (80%)
1	\$9,900	TO	\$16,500	TO	\$26,400
2	\$11,300	TO	\$18,850	TO	\$30,150
3	\$12,700	TO	\$21,200	TO	\$33,900
4	\$13,950	TO	\$23,250	TO	\$37,200
5	\$15,050	TO	\$25,100	TO	\$40,200
6	\$16,200	TO	\$26,950	TO	\$43,150
7	\$17,300	TO	\$28,850	TO	\$46,150
8+	\$18,400	TO	\$30,700	TO	\$49,100
FAMILY SIZE: <u>3</u>					
<input type="checkbox"/> Income Above Column C					
<input checked="" type="checkbox"/> Income between Column B & C					
<input type="checkbox"/> Income between Column A & B					
<input type="checkbox"/> Income below Column A					
Please check all of the following that apply to you:					
<input type="checkbox"/> Over the Age of 62		<input type="checkbox"/> Handicapped/Disabled		<input checked="" type="checkbox"/> Female Head of Household	
ETHNICITY:					
<input type="checkbox"/> Hispanic			<input checked="" type="checkbox"/> Non-Hispanic		
RACE:					
<input type="checkbox"/> White			<input type="checkbox"/> Asian & White		
<input checked="" type="checkbox"/> Black/African American			<input type="checkbox"/> Black/African American & White		
<input type="checkbox"/> Asian			<input type="checkbox"/> Am. Indian/Alaskan Native & Black/African Am.		
<input type="checkbox"/> American Indian/Alaskan Native			<input type="checkbox"/> Asian & Native Hawaiian/Other Pacific Islander		
<input type="checkbox"/> Native Hawaiian/Other Pacific Islander			<input type="checkbox"/> All Others		
<input type="checkbox"/> American Indian/Alaskan Native & White					
To the best of my knowledge, the above information is true and can be verified if requested by proper officials of the city/county of the State of Missouri. I also certify that I am authorized to work in the United States and can produce evidence of work authorization.					
NAME PRINTED: Sally Jones			SIGNATURE [Required]		
JOB TITLE: Press Operator			DATE: June 23, 2004		

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

EMPLOYMENT SUMMARY SHEET

Section I

Company: _____ Date: _____

Grantee: _____ Project No: _____

County: _____

LMI SUMMARY

NUMBER PERSONS IN FAMILY	1	2	3	4	5	6	7	8+
COUNTY LMI LEVEL (insert income limits appropriate to family size.)								
# of EMPLOYEES @ LMI LEVEL* (all persons below the Moderate income limit)								

*As noted on the Employment Status Statement, if an employee's income is between Moderate and Low, Low and 30% of Median, or below 30% of Median, the employee is considered LMI.

Section II

1. Total Current Employees: _____

2. Total Employees (New or Retained) Applicable to This Project: _____

3. Total Employees Filling Out Salary Sheet: _____

(Employees not completing form are considered non-LMI)

4. Total # Employees @ LMI Level _____ Or _____ %

5. Total Minorities _____ Total Handicap (Disabled) _____

Total Female Head of Household _____ Total Elderly _____

SIGNATURE OF ADMINISTRATOR: _____

Attachments: 1. Current company employee listing, including date of hire.

2. Employment Status Statements for #3 above.

(EXAMPLE B)
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
EMPLOYMENT SUMMARY SHEET

Section I

Company: Freedom Camper Date: 8/3/01
 Grantee: Clark Project No: 01-ED-022
 County: Adair

LMI SUMMARY

NUMBER PERSONS IN FAMILY	1	2	3	4	5	6	7	8+
COUNTY LMI LEVEL (insert income limits appropriate to family size.)	9,900 to 26,400	11,300 to 30,150	12,700 to 33,900	14,150 to 37,700	15,250 to 40,700	16,400 to 43,700	17,500 to 46,700	18,650 to 49,750
# of EMPLOYEES @ LMI LEVEL* (all persons below the Moderate income limit)	3	8	9	5	4	1	0	0

*As noted on the Employment Status Statement, if an employee's income is between Moderate and Low, Low and 30% of Median, or below 30% of Median, the employee is considered LMI.

Section II

- Total Current Employees: 50
- Total Employees (New or Retained) Applicable to This Project: 42
- Total Employees Filling Out Salary Sheet: 39

(Employees not completing form are considered non-LMI)

- Total # Employees @ LMI Level 30 Or 77 %
- Total Minorities 2 Total Handicap (Disabled) 0
 Total Female Head of Household 14 Total Elderly 0

SIGNATURE OF ADMINISTRATOR: _____

- Attachments: 1. Current company employee listing, including date of hire.
 2. Employment Status Statements for #3 above.

APPLICANT SUMMARY SHEET

Name of Company: _____ Project No.: _____

Grantee: _____ Date: _____

Including the hires on the EMPLOYMENT SUMMARY SHEET, please complete the following for all **applicants** for the jobs involved in this project:

	Total Applicants	Hispanic Applicants
White:		
Black/African American:		
Asian:		
American Indian/Alaskan Native:		
Native Hawaiian/Other Pacific Islander:		
American Indian/Alaskan Native & White:		
Asian & White:		
Black/African American & White:		
Am. Indian/Alaskan Native & Black/African Am.:		
Asian & Native Hawaiian/Other Pacific Islander:		
All Others:		
TOTAL		
Female Head of Household:		
Handicapped (Disabled):		
Elderly:		

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE BLOCK GRANT PROGRAM

Program Income

Form ED/4

The repayment and reuse of program income in the State's CDBG economic development program is governed by the terms of the Application/Funding Approval and Program Income Policy developed for the program. A Grantee is required on a biannual basis to report program income received from repayment of a loan and the disposition of same. Complete the items below in detail and forward three copies of this report to DED, P.O. Box 118, Jefferson City, MO 65102, by January 15 and July 15 of each year, until release of this requirement is received in writing from DED.

Grantee (City/County): _____ Date: _____

Project No.: _____ Company Assisted: _____

Company Mailing Address: _____

Grantee's (City/County) Contact Person: _____

1. Date of Grant Award: _____

2. Amount of Original Loan: \$ _____

3. Terms of Loan: _____ ; _____ ; _____ .
of years interest rate # of installments

Payable _____ ; first installment due _____
monthly/semi annually/annually date

4. Option exercised by Grantee regarding program income at application/funding stage (check applicable choice made):

- ☐ Return all program income to State.
- ☐ Return principal to State; retain interest.
- ☐ Retain all program income.

5. Repayment received to date: _____

Principal \$ _____, Interest \$ _____, Total \$ _____

6. If any repayments have not been received, briefly describe what actions have been taken to correct the situation: _____

7. Status of program income: _____

If program income has not been reused, indicate on line above. If it has been reused, indicate below.

Date	Amount	Payee	Date Approved or Received by DED	Number of Jobs Involved
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____